

Message Text

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12

ACTION EUR-12

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FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 2435

C O N F I D E N T I A L BUDAPEST 3503

E.O. 11652: GDS

TAGS: ETRD, HU

SUBJ: HUNGARIAN COMMENT ON MFN QUESTION DURING
ANDREWS' VISIT

1. IN MEETINGS BETWEEN ANDREWS AND TOP HUNGARIAN OFFICIALS LAST WEEK, LATTER EXHIBITED SATISFACTION CONCERNING SENATE'S PASSAGE OF TRADE REFORM ACT, EXPRESSING HOPE THAT CONGRESS' ACTION WOULD LEAD TO EARLY CONCLUSION OF TRADE AGREEMENT AND NORMALIZATION OF HUNGARIAN-AMERICAN ECONOMIC TIES. DEPUTY MINISTER OF FOREIGN TRADE SZALAI PARTICULARLY ENTHUSIASTIC, PREDICTING LARGE INCREASE IN VOLUME OF BILATERAL TRADE ONCE MFN ESTABLISHED. SZALAI ADMITTED MFT HAS UP TO NOW REGARDED TRADE WITH U.S. AS "UNPROFITABLE" FOR HUNGARIAN ENTERPRISES AND HAS DISCOURAGED THEM FROM ENGAGING IN IT. WITH NORMALIZATION OF RELATIONS, HOWEVER, MFT WILL ACTIVELY ENCOURAGE TWO-WAY TRADE EXPANSION.

2. TWO COMMENTS ON MFN THEME WORTHY OF ATTENTION WERE VOICED IN CONVERSATION BETWEEN ANDREZA AND DEPUTY FONMIN NAGY. NAGY NOTED THAT 18-MONTH LIMIT SET BY CONGRESS COULD DAMPEN SOME OF FAVORABLE EFFECTS OF MFN SINCE ENTERPRISES, ACCUSTOMED TO PLANNING FOR 5-YEAR PERIODS,
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WOULD BE RELUCTANT TO COMMIT THEMSELVES TO AN AMERICAN

PARTNER FOR EAR MFN MIGHT BE REVOKED. NATIONAL BANK
VP FEKETE ALSO MADE SAME POINT LATER IN DAY TO AMBASSADOR.
ON SUBJECT OF TRADE NEGOTIATIONS WITH U.S., NAGY ALSO
SAID THAT IN SUBSEQUENT TRADE AGREEMENT NEGOTIATIONS GOH
WOULD FIND IT "EXTREMELY DIFFICULT" OR "EVEN IMPOSSIBLE"
TO ACCEPT A DIMINUTION OF ITS RIGHTS UNDER GATT. WHILE
OTHER MATTERS SUCH AS BUSINESS REPRESENTATION COULD BE
ADDED TO FUTURE
FUTURE AGREEMENTS, SUCH AN AGREEMENT COULD
NOT RESULT IN REDUCTION OF GOH'S GATT RIGHTS.

3. COMMENT: HUNGARIAN RESPONSE TO TRADE BILL PASSAGE
HAS BEEN POSITIVE AND GOH WOULD OBVIOUSLY LIKE TO COMMENCE
NEGOTIATIONS ON TRADE AGREEMENT AS EARLY AS POSSIBLE.

NAGY'S COMMENTS THAT COMPULSORY REVIEW OF HUNGARIAN MFN
STATUS AFTER 18 MONTHS WOULD MAKE HUNGARIAN ENTERPRISES
APPROACH COMMERCIAL CONTACTS WITH U.S. WITH CERTAIN
RESERVATIONS, IS CONCERN WHICH HAS BEEN VOICED BY NUMBER
OF TOP HUNGARIANS TO US. HOPEFULLY NEGOTIATIONS WILL
ESTABLISH CONDITIONS OF FAVORABLE INTENT ON BOTH SIDES
SUFFICIENT TO ENCOURAGE LONGER RANGE PLANNING.
NAGY'S REMARKS CONCERNING GOH'S INABILITY TO ACCEPT ANY
REDUCTION OF ITS RIGHTS UNDER GATT IN UPCOMING TRADE
NEGOTIATIONS NO DOUBT ARE TO CERTAIN EXTENT TACTICAL. HOWEVER,
FROM HUNGARIAN POINT OF VIEW THIS IS REAL ISSUE WHICH ALSO
IMPACTS ON THEIR EEC RELATIONS WHICH WE WILL HAVE
TO CONSIDER IN OUR PREPARATIONS FOR TRADE AGREEMENT
NEGOTIATIONS. (SEE BUDAPEST 3316 FOR GOH MULTILATERAL
TRADE REPRESENTATIVES' COMMENTS ABOUT GATT AND RELEVANCE
HE BELIEVES GOH PROTOCOL OF ACCESSION WILL HAVE IN
MEETING OUR CONCERNS DURING NEGOTIATIONS.) ANY
GUIDANCE DEPT CAN PROVIDE RE THIS PARTICULAR POINT
WOULD BE APPRECIATED.
PEDERSEN

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